

VZCZCXRO6547
PP RUEHAG RUEHBI RUEHCI RUEHLH RUEHPW RUEHROV RUEHSR
DE RUEHAH #0053/01 0141243
ZNY CCCCC ZZH
P 141243Z JAN 09
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 2120
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
RUCNCIS/CIS COLLECTIVE PRIORITY
RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHAK/AMEMBASSY ANKARA PRIORITY 4672
RUEHBJ/AMEMBASSY BEIJING PRIORITY 2475
RUEHKO/AMEMBASSY TOKYO PRIORITY 2340
RUEHIT/AMCONSUL ISTANBUL PRIORITY 2920
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUEHVEN/USMISSION USOSCE PRIORITY 3214
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000053

SIPDIS

STATE FOR SCA/CEN, EEB
PLEASE PASS TO USTDA DAN STEIN
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER

E.O. 12958: DECL: 01/13/2019

TAGS: [EPET](#) [EINV](#) [PGOV](#) [TX](#)

SUBJECT: TURKMENISTAN: CHEVRON EXEC OFFERS VIEWS ON HOW TO
MOTIVATE THE GOVERNMENT ON ENERGY

Classified By: Charge Richard M. Miles for reasons 1.4 (b) and (d).

11. (C) SUMMARY: USTDA Regional Director for Europe and Eurasia, Dan Stein, met with the Amcit Chevron country representative to hear how the company has been faring regarding its proposal to work with the Turkmen government on onshore sub-salt energy exploration and development. The company has been trying for some months to organize a meeting between senior company officials and President Berdimuhamedov, but the government appears to be ignoring Western energy companies' efforts to meet with the President. The Chevron representative warned that Turkmen foot-dragging in signing agreements and moving forward on projects that would foster production has already put the country behind the curve, making it unlikely that they will meet production and export goals in the near term. The West needs to get a better sense of what Berdimuhamedov wants, in a geopolitical sense, since a pure profit motive does not appear to be at the center of the government's policy. The Turkmen President should understand that increased gas production would be a powerful tool of foreign policy. The Chevron representative offered that the United States has an ace in the hole with the prospect of offering Berdimuhamedov a meeting with the new American President, and that it should trade that ace for all it can. Such tools could play a role in getting the energy dialog moving again. END SUMMARY.

CHEVRON CONTINUES PURSUIT OF PRESIDENTIAL MEETING

12. (C) USTDA Regional Director for Europe and Eurasia, Dan Stein, recently met with the Amcit Chevron country representative to hear how the company has been faring regarding its proposal to work with the Turkmen government on onshore sub-salt energy exploration and development. The Chevron representative said his company has not heard anything regarding its gas production proposal, which centers primarily on potential work in the Amu Darya basin. In recent months, Chevron had been asking both the MFA and the State Agency to arrange a Presidential meeting for top-level

Chevron officials, most recently Vice Chairman Peter Robertson for mid-February 2009. Initially, the Chevron representative learned from State Agency for Management and Use of Hydrocarbons Director Kakayev that the government had "agreed reluctantly" to organize the meeting, but since then, both Deputy Chairman for Oil and Gas Tagiyev and Kakayev have said that the other government entity was the one that should organize the meeting. The Chevron representative expressed frustration that the two government entities were putting him off, and indicated that Chevron's second most senior executive, Robertson, was the appropriate person to attend a presidential meeting. From conversations with representatives of other international oil companies ("IOC") interested in doing business here, he said there was an opinion floating around that the government was pushing off IOC efforts to meet with President Berdimuhamedov, but the reasons for doing so remain unclear.

FOREIGN COMPANIES STRUGGLE, PRODUCTION FLAT

13. (C) Regarding the work of other companies, he said that recent news of delays in the China pipeline probably reflect typical construction issues. He said he had heard rumors that the Chinese drilling contractor working at one of the South Yolatan fields had been having some unspecified trouble in its sub-salt drilling activities, possibly in regard to H2S (hydrogen sulfur gas by-product), but the Chinese were keeping things "close to the vest." He said Petronas' construction of an onshore processing facility was not making much progress, and that the Turkmen government had expressed

ASHGABAT 00000053 002 OF 003

disappointment with the work. He noted that the United Arab Emirate company Dragon Oil's production is off, and the company was planning to cut their capital expenditures this year.

14. (C) The Chevron representative thought it highly unlikely that Turkmenistan would be able to increase its energy production numbers this year, given the lack of development contracts signed in 2008 and the insufficient gas supply for domestic use last year. He said he believed that the 2008 government production statistics may have been inflated, but that there was a limit to how much that could be done, since foreign buyers were expecting to take growing portions of the gas that is reportedly produced.

TURKMEN LACK TECHNOLOGY AND PROJECT MANAGEMENT SKILLS

15. (C) The Chevron representative noted that in his talks with Turkmen hydrocarbon sector officials, they acknowledge that their domestic companies are not using the most modern technology, nor do they have project management skills. He said that in a recent meeting with Turkmen Gas State Concern Director, Baymurat Hojamuhamedov, the director showed him a schematic of the South Yolatan gas field, where the government's plan is to develop the field in 10 bcm increments. When the Chevron representative commented on the inefficiency of such a plan, Hojamuhamedov agreed, but said that was "how they want to do it." No one in the government believes that production is a problem, he said. In the near future, however, the lack of production growth will become very apparent, as demand from foreign buyers grows.

16. (C) He commented that the country will be incapable of meeting the growing production and export goals it has set, because it has not signed any contracts or begun the exploration/development process that would put the sector on the right path. The Chevron representative said that the government has signed agreements with the Chinese government and its affiliated energy companies and will probably move forward with Russian companies on pipeline rehabilitation and/or construction because these deals incorporate both economic and geopolitical benefit for the parties involved. He said that Western companies, in tandem with interested Western governments, should try to better understand what

geopolitical aspirations President Berdimuhamedov might have, as a way to motivate him to re-examine Western proposals.

TELL BERDIMUHAMEDOV HE'S IN THE DRIVER'S SEAT

17. (C) The Chevron representative noted that Berdimuhamedov should be made aware that he holds the key to potentially becoming the main driver on Central Asian gas policy. Increased gas production in Turkmenistan would empower the state to exert commercial pressure on existing pipeline operators to increase their shipments of gas, and on those considering construction of future pipelines. This could potentially motivate Western government and company political and financial investment in additional pipelines, he offered.

WHITE HOUSE MEETING AN ACE IN THE HOLE?

18. (C) The Chevron representative said the most significant thing of value the United States could offer at this time would be an invitation for Berdimuhamedov to the White House, and that the prospect of such a meeting could be exchanged for a range of things the United States wants from its relationship with Turkmenistan. Outside of this, he thought that the Turkmen President would be unlikely to alter the government's current behavior on oil and gas sector

ASHGABAT 00000053 003 OF 003

development, unless the government's capital stream dried up, or one of the domestic hydrocarbon companies experienced a major accident (not unusual in a high-pressure, sub-salt work environment).

19. (C) COMMENT: The Chevron representative's comments, though broad in scope, underscore the frustrations of Western energy companies who continue to pursue prospective work here with a government that does not seem to know what it wants. Getting a bead on Berdimuhamedov's strategic dreams and goals, and helping him to understand that increasing hydrocarbon production would empower the country and strengthen Turkmenistan's international prestige, may be two possible keys to convincing the government it is in its own self-interest to do business with the IOCs. END COMMENT.
MILES